



# INFORMATION SHEET

Serving the People of California

## ELECTIVE COVERAGE FOR EMPLOYERS AND SELF-EMPLOYED INDIVIDUALS

Under provisions in the California Unemployment Insurance Code (CUIC) employer's may elect Unemployment Insurance (UI) and Disability Insurance (DI) or DI only coverage for themselves. Self-employed individuals, who are not employers, may only elect DI coverage for themselves.

Qualifying employers include sole proprietors and partnerships, including husband/wife co-ownerships. One or any number of general partners may elect to be covered (only the general Partner(s) in a limited partnership may elect coverage). In a husband/wife co-ownership, the spouse electing coverage must participate in the management and control of the business.

**NOTE:** If you are illegally in the United States, you are not eligible for benefits and are liable to repay any benefits paid to you.

Disability Insurance Elective Coverage Requirements:

- Requests must be in writing, filed with and approved by the Employment Development Department (EDD). Applications can be obtained from your local Employment Tax Customer Service Office (ETCSO).
- Coverage must remain in effect for two complete calendar years unless the individual meets the criteria for early termination under Section 704.1, CUIC.
- Termination requests must be in writing and must be filed with EDD during January and will be effective January 1 of the year filed (if more than two complete calendar years since elected).

If **ANY** of the following "Conditions for Denial of Coverage" exist, the election will not be approved (Section 704, CUIC):

- The intent is to discontinue the business within eight calendar quarters (2 years).
- The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
- The employing unit or self-employed individual has failed to make a return or to pay contributions within the time required by the CUIC and there are unpaid contributions owing to EDD by the employing unit or self-employed individual.

- The entity or individual requesting the election has been convicted within the last eight consecutive calendar quarters (2 years) of violations specified in Chapter 10 of the CUIC.
- The individual is not normally and continuously engaged in a regular trade, business or occupation.
- The self-employed individual is currently unable to perform all of his or her regular and customary work due to injury or illness.
- The major portion of the self-employed individual's remuneration is not derived from his or her trade, business or occupation.
- The self-employed individual is unable to provide a copy of his or her IRS Schedule SE, as reported on or before April 15 of the preceding year, showing a net profit of at least \$4,600 or to certify to an average net profit of at least \$1,150 per quarter, since becoming self-employed or for the preceding four quarters, whichever period is less.
- A prior elective coverage agreement has been terminated by EDD or by means of a written application for termination and the individual has not completed a waiting period of 18 consecutive months from the date of termination.

EDD may terminate an elective coverage agreement if any of the "Conditions for Denial of Coverage" exists or if **ANY** of the following conditions for termination exists:

- The self-employed individual reports a net profit of less than \$4,600 on his or her IRS Schedule SE for a third consecutive year.
- The employing unit or self-employed individual, or a representative thereof, is found to have filed a false statement in order to be considered eligible for elective coverage.
- The individual's participation in the management and control of the business ceases.

### ELECTIVE COVERAGE AND WHO CAN ELECT

Individuals to be Covered	UI and DI	DI Only	UI Only	Forms Required
Employers who are sole proprietors, general partners or husband/wife co-owners.	Offered under Section 708(a), CUIC	Offered under Section 708(b), CUIC	Not offered	DE 1378A - 708(a) DE 1378DI - 708(b)
Self-employed individuals	Not offered	Offered under Section 708.5, CUIC	Not offered	DE 1378DI - 708.5

## **Employment Tax Customer Service Offices (ETCSO)**

For further information, call the local Employment Tax Customer Service Office listed in the White Pages under: "Government Listing" - State Government Offices - Employment Development Department - Employment Tax Information.

Equal Opportunity Employer/Program. Auxilliary services and assistance available to persons with disabilities. TDD Users, contact the California Relay Service: 1-800-735-2929.